

APPENDIX A

The Comprehensive Transportation Fund

OVERVIEW

- ❖ The Comprehensive Transportation Fund (CTF) is created under Public Act 51 of 1951, as amended.
- ❖ It is the primary support for Michigan's public transportation programs, including financial assistance for local transit, intercity bus and passenger rail service and rail-freight programs.

CTF REVENUES

- ❖ The primary revenues to the CTF are sales tax contributions and transfers from the Michigan Transportation Fund (MTF). The annual contributions of MTF and sales tax to the CTF are set in statute.
- ❖ State Constitution regarding use of state fuel taxes:
 - Not less than 90% for roads and bridges
 - "The balance, if any...shall be used exclusively for...comprehensive transportation purposes as defined by law."
- ❖ Under the General Sales Tax Act, 4% of 6% sales tax is to be distributed as follows:
 - 15% to cities, villages and townships
 - 60% to the state school aid fund
 - 25% as follows:
 - Not less than 27.9% of the tax collections from motor vehicle related sales to the CTF
 - Balance to the General Fund
- ❖ Historically, the sales tax represents about one-third of the CTF's revenue sources.
- ❖ *MDOT projects that CTF revenues will remain flat or decline.*

REDUCTIONS TO THE CTF

- ❖ The sales tax contribution to the CTF is can be reduced through amendments to the Sales Tax Act.
 - Act 139 of 2003 resulted in a two-year reduction in sales tax contribution to CTF with an estimated impact of \$21.5 million over Fiscal Years 2004 and 2005.
 - Act 554 of 2004 resulted in one-year \$10.0 million reduction in sales tax contribution to the CTF in FY2005 (over and above the reduction in Act 139 of 2003).
 - Act 69 of 2006 reduced the sales tax given to the CTF by \$11.1 million for FY2006.
 - Act 69 of 2007 reduced the sales tax given to the CTF by \$10.27 million for FY2007.
 - Act 129 of 2007 reduced the sales tax given to the CTF by \$5.0 million for FY2008.

USE OF CTF REVENUES

- ❖ Annual appropriations from the CTF are guided by available revenues and the requirements in Act 51.
- ❖ Section 10e of Act 51 sets the following *priorities* for annual CTF distributions:
 - First Priority - Debt Service
 - Second Priority – Administration of the Fund

- Third Priority – Local Bus Operating Assistance
- After these priorities are met, Act 51 mandates the following:
 - Not less than 10% of the funds distributed to Intercity Passenger and Intercity Freight
 - Remaining funds distributed for public transportation purposes. Of these remaining funds:
 - Specialized services assistance program at not less than \$3,600,100.
 - Local bus capital at not less than \$8,000,000.
 - Municipal credit program at not less than \$2,000,000.
- ❖ In combination, the priorities, mandates and appropriation floors in Act 51 result in little discretion in how the CTF can be appropriated each year.

CTF PASSENGER TRANSPORTATION PROGRAMS

Local Transit

- ❖ Under Act 51, the Comprehensive Transportation Fund (CTF) is obligated to share in the costs of local transit services through operating and capital assistance and can also be used to support intercity passenger services.
- ❖ The largest single expenditure of CTF is local bus operating assistance
 - This is an Act 51 mandated program that provides the state's share of transit operating costs.
 - Under Act 51, eligible authorities and eligible governmental agencies shall receive Local Bus Operating funds if they provide public transportation services.
 - Act 51 establishes two "groups" of authorities/agencies that shall receive this assistance:
 - Authorities/agencies which provide services in urbanized areas with a population greater than 100,000 shall receive up to 50% of their eligible operating expenses.
 - Authorities/agencies which provide services in urbanized areas with a population less than or equal to 100,000 and nonurbanized areas shall receive up to 60% of their eligible operating expenses.
 - Act 51 also establishes a "floor" or minimum amount for each eligible agency/authority – the amount of funding they received in fiscal year 1997.
- ❖ The second largest annual program of the CTF is transit capital
 - Under Act 51, when a transit agency receives a federal capital grant, the state shall pay not less than 66-2/3% of the local match from the CTF.
 - The Act 51 requirement translates to the State being required to provide 13.3% in match. In practice the State has provided all of the match – the entire 20%.
- ❖ The CTF also provides for operating assistance and/or match to federal programs for transportation services that target specific populations, including the elderly, persons with disabilities, and low income workers: Programs include the
 - State's Specialized Services program which provides a "per ride" or "per mile" subsidy to 40 agencies and their subrecipients to provide transportation services to the elderly and persons with disabilities, with a FY2007 ridership of 1.6 million.
 - MichiVan and Rideshare programs which assist commuters seeking an alternative to driving alone.

Intercity Bus

- ❖ MDOT uses the CTF to contract for intercity bus service that would not exist in the absence of state support to ensure affordable intercity service to many small urban and rural communities having no

other form of intercity public transportation available. State support includes a “per mile” operational subsidy, less revenue, on five routes.

- ❖ The CTF supports an intercity bus capital program that includes:
 - Intercity terminal funding to provide new and renovated facilities used by intercity bus and/or rail passengers; help maintain ridership levels and financial sustainability of intercity service; enhance connectivity between modes; and contribute to community revitalization.
 - Intercity Bus equipment program which provides safe, modern motor coaches to serve intercity travelers throughout Michigan.

Intercity Passenger Rail

- ❖ MDOT uses CTF to contracts for the *Pere Marquette* and the *Blue Water* services. These services are not part of the Amtrak national network and would not be provided in absence of a state contract.
- ❖ MDOT also uses CTF to undertake infrastructure projects that support the high speed rail corridor, on which the *Wolverine* (part of Amtrak’s national network) and portions of the *Blue Water* operate. MDOT’s passenger rail capital program concentrates on five key areas:
 - Infrastructure which would include track work, switches, etc.
 - Incremental Train Control System investments to increase train speeds to 110 mph along the high speed rail corridor.
 - Closures or investments for increased safety for public and private grade crossing locations on the high speed rail corridor.
 - New and renovated passenger facilities used by intercity bus and/or rail passengers to serve the riding public help maintain ridership levels and the financial sustainability of intercity service connect modes and contribute to community revitalization.
 - In prior years, MDOT has participated with Amtrak in funding the rehabilitation of train equipment (locomotive and passenger cars) for Michigan services.

CTF BONDING

- ❖ The most recent CTF bond issues were in 2002 and 2003.
- ❖ CTF bond revenues are used to supplement appropriations for capital projects and have supplemented CTF appropriations to meet MDOT’s obligations to provide capital match.
- ❖ All CTF bond revenues available for capital match will be used by FY 2009.
- ❖ Other uses for bond revenues (either as match or 100%) have been:
 - Intermodal terminals
 - Infrastructure improvements on Michigan’s high-speed train corridor
 - Marine passenger terminal
- ❖ Annual CTF revenues are used to pay the debt service.
 - For the foreseeable future, additional bonding against the CTF is not possible
 - Since CTF revenues are declining, any increase in debt service will result it will result in an immediate reduction in CTF programs in order to serve the debt

TOLL REVENUE CREDITS

- ❖ Due to reduced CTF revenues, starting in FY2005, MDOT could no longer meet its transit capital match obligation with CTF revenues.

- ❖ To maintain the 20% match commitment in FY2005, MDOT started using federal *toll credit revenues*.
 - Toll credits are earned when a state, a toll authority, or a private entity funds a capital highway investment with toll revenues from existing facilities. The amount of toll revenues spent on non-federal highway capital improvement projects earns the state an equivalent dollar amount of credits which they can use as match.
 - Within Michigan, toll revenue credits are generated from the Ambassador Bridge, Detroit-Windsor Tunnel, Mackinac Bridge, International Bridge and Blue Water Bridge.
- ❖ Toll credits stand in the place of match and allow MDOT transit agencies to access the federal funds. However, in comparison to hard (cash) match, they reduce the total purchasing power of the federal funds. The lost purchasing power of federal funds to date is shown below.

